

A Message from Retirement Board Chairman, Jody B. Olson

## Enron fiasco has little effect on PERSI

By now, you've no doubt seen many media reports and heard many rumors about how the collapse of Enron, one of the world's largest companies, has devastated some retirement plans.

Enron's failure is a tragic American business story. Conflicts of interest appear to be rampant. Illegal actions possibly occurred. Thousands of share holders and employees suffered while senior management became wealthy. Allegations will be investigated. Facts will come out and illegal acts will be prosecuted.

Unfortunately, many media reports have misrepresented the effect Enron has had on participants in state retirement programs. One such report from a national news program was entitled "Enron fallout: pension funds hit nationwide."

In this instance, the real "fallout" was the unwarranted anxiety the story caused for countless individuals in retirement plans nationwide, coupled with the complete waste of thousands of hours of pension plan staff time and other pension fund resources in dealing with those anxious plan participants on this matter.

We here at PERSI have also heard from many members, active and retired, who are concerned about Enron and the PERSI fund.



Jody B. Olson

### The PERSI Base Plan and Enron

The Enron fiasco has had very little effect on PERSI. Our equity holdings in Enron at the beginning of November 2001 were about \$2 Million. That represents less than 1/10th of one percent of our \$6 Billion in assets. Losses from Enron will have no material effect on our fund, and no effect whatsoever on your Base Plan benefits.

Most media reports fail to make distinctions between types of pension plans – such as the Enron 401(k) plan where the employees had large quantities of employer stock and bore the risks associated with holding that stock in their individual accounts, versus state defined benefit plans such as the PERSI Base Plan, where assets are pooled and institutionally invested in diversified portfolios, and where

retirement benefits are guaranteed.

Defined benefit plan participants have not been negatively impacted by the Enron bankruptcy and that is a story the media should be reporting. While individually managed 401(k) account plans have been widely heralded over the last decade as being the wave of the retirement benefit future, it is the more traditional defined benefit plans which provide protection to participants in the face of declining investment markets and corporate bankruptcies. PERSI offers the best of both - the security of our defined benefit Base Plan, and the flexibility of our Choice Plan 401(k).

Because of the size of PERSI's investment portfolio, the fund actually gains and/or loses millions each day. Losses, such as those due to Enron, while not pleasant, are to be expected from time to time, and PERSI plans accordingly. PERSI's investments are widely diversified so that even if we experience losses from one company the fund is still solid and secure.

Rest assured, PERSI Base Plan retirement benefits are not jeopardized in any way by this situation. We continue to be actuarially sound, well funded, and

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# Increase your take home pay: Saving in the 401(k) and

By Bill Duncan, PERSI Training Specialist

You no doubt plan to *escape* from work someday - maybe you dream of world travel or that cabin in the woods. The problem is, these things take money and we all have bills to pay everyday that supercede our dreams. After all, when it comes to funding a retirement that may be 20 years away or this month's car payment, which will you do? Is that cruise just a dream? Can you actually have that cabin and still pay today's bills? In reality, you *can* have it all.

Retirement will be here before you know it, and planning for that inevitable retirement just may be life's most important financial goal. Social Security will only partially fund your retirement. And, as you know, public employment is not exactly the Yellow Brick Road to financial freedom. Add to that longer life expectancies, medical expenses and inflation and you can plainly see the need to start saving a little on the side. But it's just plain hard to save money in today's economy. You may not think you can afford to set aside the thousands of dollars necessary to realize your retirement dreams. But you can.

It is for this reason that PERSI started out on a journey to bring you one of the most popular retirement benefits available today, a 401(k) we call the Choice Plan. We call it the Choice Plan because you can choose to participate or not participate, and you can also choose how to invest your money. It is up to you. But it is an easy choice. The Choice Plan

## How saving in the Choice Plan 401(k) can actually give you more take home pay

	PERSI Choice Plan 401(k)	Passbook Savings
Annual Gross Salary	\$30,000	\$30,000
5% of pay tax-deferred to 401(k)	\$1,500	\$0
Taxable Pay	\$28,500	\$30,000
Less 15% Federal Income Tax	- \$4,275	- \$4,500
5% saved in passbook savings account	\$0	- \$1,500
Take home pay	\$24,225	\$24,000
Annual difference in take home pay	\$225	

allows you to reduce your current taxable income and save money on a tax-deferred basis. So, you pay less taxes right out of the gate. Then on top of that, the interest you earn is not taxed while it is in the plan. This means that your money grows faster.

What if I told you that you could participate in this great opportunity, save money for retirement and actually bring home more money on your paycheck? What if I told you that it is easier to invest a little retirement savings in a 401(k) than it is to balance your check book? More convenient than making a savings deposit at your bank? And a whole lot easier than making it down to a local brokerage firm to invest like the big boys do? Well, it's true. Following are

several reasons why running down to your payroll office today to sign up for the 401(k) will be one of the best decisions of your life.

### 1. It is true that you can actually increase your take home pay by saving money in your 401(k).

Investing in the Choice Plan gives you the benefit of paying yourself first, even before you pay Uncle Sam! Your contributions are taken out of your check before taxes are withheld. This lets you *increase* your take home pay and *decrease* the amount you pay in taxes today. Take a look at the chart above to see the difference in your take home pay when you put money in the 401(k) vs. saving money in your passbook savings account. In our example, if you put \$1500 a year into

# Actually gives you a bigger paycheck

the 401(k) instead of the bank (or instead of spending it), you actually increase your take-home pay by \$225 each year. The more you save through the 401(k), the more take home pay you have.

**2. Saving in the Choice Plan is simple!** The money comes out of your paycheck automatically, helping make saving your number one priority. You never see the money, so you can't spend it. Your work is done! You never have to write a check or make a bank transfer.

Just go to your payroll person or call toll-free 1-866-ID-PERSI, and fill out a one page salary deferral agreement. It's that easy and convenient!

**3. Your Choice Plan options are managed by investment professionals.** The investment options available to you are easy to understand and are put in the hands of experienced fund managers who work with global teams of dedicated analysts who do the research on thousands of companies, and investment opportunities. They do all the work, so you don't have to.

To see the choices available, visit our website [www.persi.state.id.us](http://www.persi.state.id.us).

Once you sign up, you may select one or more investments in which to place your 401(k) money. With your Choice Plan, you get to decide for yourself from among eleven investment options. This is exciting because you now have the opportunity to invest in a range of high quality, professionally managed and potentially beneficial investments.

**4. It is easy to keep track of your savings in your 401(k)** because you will receive a statement every quarter telling you how your investments performed. You may also call toll-free 1-866-ID-PERSI or check the web at [www.persi.state.id.us](http://www.persi.state.id.us) 24 hours a day, seven days a week, to stay informed. You may, if you wish, make daily changes at no cost to you.

**5. Your money is always yours.** If you ever decide to leave public employment you can take your 401(k) savings with you. You now have several options for withdrawals. You can "rollover" eligible assets to and from 401(k), 403(b), and 457 plans, provided your new employer's plan accepts these rollovers. You can keep your 401(k) where it is and start a new retirement plan account with your new employer. Or you can directly roll your 401(k) into an individual retirement account (IRA). Your contributions are yours. You always own them.

Here in Idaho, we are lucky to have access to a great plan like the Choice Plan 401(k). You may still be concerned about how much you can afford to contribute to the Choice Plan. But look carefully. You can't afford not to! This is too good an opportunity to miss.

The best way to prepare for the future is by realizing the advantages of the Choice Plan.

Simply by signing up today, you can avoid one of the biggest financial mistakes you can make ...doing nothing! ◆

## These two make financial planning FUN (really!)

Plus there's donuts & door prizes!



Bill Duncan and Maxine Thomas

If you think workshops on financial planning are boring, then you haven't seen PERSI's lively trainers, Maxine and Bill, in one of their in-person PERSI presentations.

We're sure that Bill could have his own show on Comedy Central, but he has chosen to instead share his talents with you. Maxine is a truly energetic presenter who really cares about our members.

The presentations that Max and Bill give are not only entertaining, but also provide a wealth of information on PERSI's Base and Choice Plans.

Touring with Max and Bill are presenters from our education contractor, ETI, who offer understandable and useful information on investing and financial planning. No matter what level of financial savvy you have, we're sure these presentations will be helpful. And if that's not enough to tempt you, our presentations also include donuts and door prizes!

To view a schedule, go to [www.persi.state.id.us](http://www.persi.state.id.us) and look under "Education - Workshops." ◆



## PERSI and Enron

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diversified in our investments.


### The Choice Plan and Enron

If you have a PERSI Choice Plan account, and have all or some of your assets allocated to the PERSI Total Return Fund (TRF), the Choice Plan's default investment option, then you did experience a loss due to Enron that mirrors the Base Plan portfolio's losses of less than 1/10th of one percent of your TRF assets. This would amount to just \$0.33 for each \$1,000 you have in the TRF.

PERSI is extremely diversified with US and international stocks, large to small cap funds and more for a competitive return at lower risk.

If you have all or some of your Choice Plan investments in the Mellon Wilshire 5000 Stock Index Fund, Vanguard Growth and Index Fund or the Mellon S&P 500 Stock Index Fund, you also experienced some losses due to Enron. Once again, however, those losses were minimal due to diversification.

### Potential Claims Against Enron

PERSI is monitoring developments related to Enron and potential claims the fund may have against Enron and related parties. Generally, in similar situations, class action lawsuits are filed and often other large public retirement funds serve as lead plaintiff. PERSI generally participates and obtains recoveries as a member of the class. This is what we plan to do in this case. We will monitor the situation and will take additional action if necessary. 

## FAQs About PERSI and Enron

### How safe are my PERSI Choice Plan funds?

While your funds in the Choice Plan are not guaranteed like they are in the Base Plan, this Enron experience provides a very valuable lesson for investors. And the lesson is, that the old cliché "Don't put all your eggs in one basket," is, in fact, a very wise piece of advice. An Enron employee, or anyone who has all their funds tied up in just one, or a few investments, is taking a big risk.

The PERSI Choice Plan, on the other hand, provides you a relatively safe way to invest. The PERSI Total Return Fund (the Choice Plan default investment option) is extremely well diversified to protect against market risk. The other investment options offer wide diversity. For example, the Mellon Wilshire 5000 Stock Index Fund is diversified among thousands of investments. The Choice Plan also offers several low-risk options including the SEI Stable Value Fund, the Mellon Aggregate Bond Index Fund, and the Dodge & Cox Fixed Income Fund.

### Should I move my Choice Plan funds to the stable value funds?

While we cannot advise you on what to do with your Choice Plan funds, we can provide you with a few things to consider.

As mentioned earlier, it is always a good idea to be well diversified. There are several ways to achieve diversification with the Choice Plan. If you wish, you may leave your funds in the default Total Return

Fund which is very well diversified.

Or, you may wish to spread your funds among several of the Choice Plan investment options, perhaps putting some in the Stable Value Fund, some in the TRF and some among the other options.

Or, you may want to think of your Choice Plan as just one piece of your retirement savings. Your PERSI Base Plan and Social Security can be considered as your Stable Value Funds. If your Base Plan and Social Security provide you some 70 - 80% of what you need in retirement, your other investments are about 20 - 30% of your retirement savings. You may want to be more aggressive with these funds due to the stability of the others.

### How much did PERSI lose from its Enron investments?

It is difficult to determine a specific amount, but as of November 1, 2001, our equity holdings were about \$2 million -- a fraction of one percent of our \$6 billion fund.

### Are PERSI benefits in jeopardy?

No. PERSI is actuarially sound, and well diversified in its investments. PERSI losses from Enron have had no material impact on the fund. Member benefits are not affected by this event.

### Does PERSI plan to take action against Enron?

Yes. We plan to file class-action claims and are prepared to take other action if warranted. 